

Message Text

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ACTION SS-25

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R 151535Z SEP 76
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 7076
INFO AMEMBASSY ABU DHABI
AMEMBASSY DOHA
AMEMBASSY BONN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY TEHRAN
AMEMBASSY TOKYO

C O N F I D E N T I A L CAIRO 12474

EXDIS

E.O. 11652: GDS
TAGS: EFIN, EG
SUBJECT: MINISTER OF ECONOMY'S VIEWS ON FINANCING DEFICIT
AND OTHER PENDING ECONOMIC QUESTIONS

REFS (A) CAIRO 11834 (NOTAL) (B) CAIRO 12456
(C) SECTOR 25006 (NOTAL)

1. CHARGE AND ECONOFF DISCUSSED SEVEN POINT PROGRAM
AND OTHER EQUATIONS TO FOLLOW UP AMBASSADOR'S
MEETING WITH PRIME MINISTER (REF A) DURING
RELATIVELY BRIEF SESSION SEPTEMBER 15 WITH
MINECON SHAFEI. LITTLE NEW OF SUBSTANCE EMERGED
FROM MEETING, BUT SHAFEI ALSO CONFIRMED GODE LOAN
AND LOAN GUARANTEE IN TOTAL MOUNT OF \$500 MILLION.

HE NOTED THAT ARRANGEMENT WITH GODE HAS NOT YET
BEEN PUT INTO FINAL FORM. ON SUBJECT OF IMF
RECOMMENDATIONS, MINECON SAID HALF HAVE BEEN
ENACTED AND REMAINDER WILL BE IMPLEMENTED OVER TIME.
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UNLIKE MINFIN ABU ISMAIL (REF B), SHAFEI EXPRESSED

COMMITMENT TO REFORMS URGED BY IMF AND COMMENTED
THAT SITUATION PREVAILING AFTER ELECTIONS WILL
MAKE DIFFERENCE IN WHETHER RECOMMENDATIONS CAN
BE ADOPTED OR NOT.

2. MAJOR PURPOSE OF MEETING WAS TO DISCUSS CURRENT
EFFORTS TO ENLIST BILATERAL SUPPORT FOR EGYPT
IN MEETING ITS FINANCIAL SHORTFALL. CHARGE SENT
OVER POINTS IN REF C CONCERNING OUR EFFORTS TO
ENCOURAGE ASSISTANCE TO EGYPT, NOTING THAT AMB
HAD DISCUSSED SUBJECT WITH PRIME MINISTER
SEPTEMBER 2. SHAFEI HAD LITTLE TO CONTRIBUTE,
HOWEVER, EXCEPT THAT AT ONE POINT HE NOTED MINFIN
ABU ISMAIL HAD BEEN DIRECTED AT RECENT CABINET
MEETING TO LOOK ANDEW INTO POSSIBLE IRANIAN ASSISTANCE
(AN INITIATIVE WHICH MINFIN SEEMINGLY HAD NOT TAKEN
AT TIME OF OUR CONVERSATION WITH HIM SEPTEMBER 14).
IN THIS CONTEXT, CHARGE SUGGESTED IRANIAN COMMERCIAL
LOAN GUARANTEE MIGHT WELL BE ARRANGED IN TANDEM WITH
GODE GUARANTEE - ONE CONNECTED WITH CHASE MANHATTAN
EFFORTS TO PUT TOGETHER LOAN PACKAGE AND OTHER WITH
PROSPECTIVE CITIBANK INITIATIVES. MINFIN AGREED
THIS WAS GOOD IDEA AND FURTHER EXPRESSED AGREEMENT
THAT CONTINUING FOLLOW-UP WILL BE NECESSARY TO
ELICIT INCREMENTAL FINANCIAL SUPPORT FOR EGYPT FROM
BILATERAL DONORS AND EEC.

3. COMMENT: SHAFEI'S DISINCLINATION TO PROLONG
CONVERSATION PREVENTED EXPLORATION IN DETAIL OF
THESE ISSUES, BUT SESSION ACCOMPLISHED PURPOSE OF
REMINING GOE OF ITS RESPONNSIBILITIES IN HAT PASSING
EXERCISE. WHILE SHAFEI SEEMED TO BE MORE AWARE IN
GENERAL OF THESE QUESTIONS THAN ABU ISMAIL, HE DID NOT
INDICATE WHAT ACTION HE INTENDED TO TAKE. OUR
IMPRESSION IS THAT HE FEELS NO PARTICULAR SENSE OF
URGENCY AT THIS TIME REGARDING FINANCIAL PRPBLEMS
FACING GOE; IT IS DIFFICULT TO SAY, HOWEVER, WHETHER
THIS ATTITUDE IS CAUSED BY RAMADAN, GODE ASSISTANCE,
APPROACHING CHANGE IN CABINET COMPOSITION OR SOME
OTHER FACTOR. MATTHEWS
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